

**DELAWARE DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT EXAMINATION REPORT**

**Pruco Life Insurance Company**  
**NAIC #79227**

213 Washington Street  
Newark, New Jersey 07102

**As of**

**March 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of March 31, 2021 on

**Pruco Life Insurance Company**

is a true and correct copy of the document filed with this Department.

Attest By: \_\_\_\_\_

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 27 day of January 2022.

A handwritten signature in blue ink, reading "Trinidad Navarro", written over a horizontal line.  
Trinidad Navarro  
Insurance Commissioner

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF THE  
**Pruco Life Insurance Company**  
AS OF  
March 31, 2021

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 27 day of January 2022.

  
Trinidad Navarro  
Insurance Commissioner

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Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Number 79227-20-597 and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

**Pruco Life Insurance Company**  
**NAIC #79227**

The examination was performed as of March 31, 2021.

The examination was conducted at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.

## **EXECUTIVE SUMMARY**

The examination was announced as a follow-up to a previously issued targeted market conduct examination to review the Company's practices in the annuity marketplace in Delaware. The examination focused on the Company's annuity business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

All the exceptions noted were in the areas of Underwriting and Rating, and Claims and are as follows:

- **1 Exception**

- **18 Del. Admin. C. § 1204-6.1.2 Duties of all insurers**

- *6.1.2 Require with or as a part of each completed application for life insurance or annuity a statement signed by the applicant as to whether such proposed insurance or annuity will replace existing life insurance or annuity.*

- The Company failed to provide proof that the applicant signed a statement as to whether the proposed annuity would replace an existing annuity.

- **32 Exceptions**

- **18 Del. Admin. C. § 1204-7.1.1 Duties of Insurers That Use Agents or Brokers**

- *Each insurer that uses an agent or broker in a life insurance or annuity sale shall:*
    - *7.1.1 Require with or as a part of each completed application for life insurance or annuity, a statement signed by the agent or broker as to whether he or she knows replacement is or may be involved in the transaction.*

- The Company failed to provide proof that the agent signed a statement as to whether the agent knew that a replacement was or would be involved in the transaction.

- **17 Exceptions**

- **18 Del. Admin. C. § 1204-5.2.1 Duties of Agents and Brokers**

- *Where replacement is involved, the agent or broker shall:*

- *5.2.1 Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement" (Delaware Insurance Form R, attached as Exhibit A), or other substantially similar form approved by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and a copy left with the applicant.*

- The notice regarding replacement was dated after the application date.

- **1 Exception**

- **18 Del. Admin. C. § 902-1.2.1.2**

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*Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.*

The Company failed to acknowledge the claim within fifteen working days.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§ 318-322 and covered the experience period of January 1, 2018 through March 31, 2021, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware complaints handling, claims handling, agent appointment and termination, annuity suitability, replacement and surrender laws and regulations related to the sales and marketing of individual annuity contracts.

The examination was a targeted market conduct examination of the Company's annuity business in the following areas of operation: Company Operations and Management, Complaints Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

## **METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the National Association of Insurance Commissioners (NAIC). While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company. The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted.

However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law

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violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

## **COMPANY HISTORY AND PROFILE**

Pruco Life Insurance Company (“Pruco Life”) is a wholly owned subsidiary of The Prudential Insurance Company of America (“Prudential Insurance”), which in turn is a direct wholly owned subsidiary of Prudential Financial, Inc. (“Prudential Financial”). Pruco Life is a stock life insurance company organized in 1971 under the laws of the State of Arizona. It is licensed to sell life insurance and annuities in the District of Columbia, Guam and in all states except New York, and sells such products primarily through affiliated and unaffiliated distributors.

Pruco Life has one wholly owned insurance subsidiary, Pruco Life Insurance Company of New Jersey (“PLNJ”). PLNJ is a stock life insurance company organized in 1982 under the laws of the State of New Jersey. It is licensed to sell life insurance and annuities in New Jersey and New York only. The Company sells or has sold variable annuities, variable life, universal life and term life insurance primarily through affiliated and unaffiliated distributors in the United States.

According to the State of Delaware Department of Insurance Certificate of Authority, Pruco Life is authorized to transact the business of life, including annuities, variable annuities, and health insurance.

As of its 2018 annual statement for the State of Delaware, Pruco Life reported annuity considerations in the amount of \$36,619,317. As of its 2019 annual statement, the Company reported annuity considerations in the amount of \$46,263,452. As of its 2020 annual statement, the Company reported annuity considerations in the amount of \$15,384,008.

## **COMPANY OPERATIONS AND MANAGEMENT**

The Company provided the requested information documenting its management and operational procedures in areas for which they conduct business in the State of Delaware including:

- A copy of the Company’s certificate of authority.
- A written overview of the Company’s history and profile.
- The Company’s annuities senior management team.
- A list of 32 audits conducted during the examination period.
- A Copy of the Fraud Detection and Prevention Process and copies of the quarterly and annual fraud reports.



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- A list of 304 Third-Party Contractors/Vendors.
- A copy of the Company's Records Management Policy.
- A list of one fine imposed during the last five years.
- A copy of one market conduct examination report generated during the last five years.
- The Company's Annual Statements for 2018, 2019, and 2020.

The documentation was reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

## **COMPLAINTS HANDLING**

### **A. Consumer Complaints**

The Company provide a list of ten consumer complaints received during the examination period. All ten complaints were requested, received, and reviewed. The Company also provided the complaint register as requested.

The complaint files and the four years of complaint logs were reviewed for compliance with the State of Delaware Laws and Regulations, including but not limited to, 18 *Del. C.* § 2304 (17). This Section of the Code requires maintenance of a complete record of all complaints received since the date of its last examination. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Any complaint files involving claims were also reviewed for compliance with 18 *Del. Admin. C.* § 902 Prohibited Unfair Claim Settlement Practices. No exceptions were noted.

## **MARKETING AND SALES**

### **A. Advertising and Sales Materials**

The Company provided a list of 1,342 pieces of advertising utilized in the Commonwealth. The advertising material consisted of: ads, ad-digital, ad-electronic, article reprints, biographies, brochures, commentaries, digital contents, emails, email invitations, fact sheets, flyers, flyer invitations, guide worksheets, illustrations, info graphics, invitations, letters, postcards, newsletters, presentations, scripts, seminar materials, slip sheets, social media, talking points, templates, training materials, videos, webpages, and websites. A sample of 113 pieces of advertising was requested, received, and reviewed. The 113 advertising materials were reviewed for compliance with 18 *Del. C.* §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices. No exceptions were noted.

## **PRODUCER LICENSING**

### **A. Producer Licensing and Appointments**

The Company provided a list of 5,370 producers active during the examination period. A random sample of 115 producers was compared to departmental records of producers to verify their licensing and appointment status, and compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

### **B. Producer Terminations**

The Company provided a list of 1,427 terminated producers. A random sample of 105 terminated producers was compared to departmental records of producers to verify their termination status, and compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

## **POLICYHOLDER SERVICE**

### **A. Individual Fixed Annuity Contracts Surrendered**

The Company provided a list of one annuity contract surrendered during the examination period. The one surrendered contract was requested, received, and reviewed. The contract file was reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

### **B. Individual Variable Annuity Contracts Surrendered**

The Company provided a list of 373 individual variable annuity contracts surrendered during the examination period. A random sample of 79 surrendered annuity contracts was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

## **UNDERWRITING AND RATING**

### **A. Forms**

The Company provided a list of 68 forms available for use during the examination period. All 68 forms were requested, received, and reviewed. The forms provided and forms reviewed in the various underwriting sections of the examination were reviewed for compliance with the State of Delaware Laws and Regulations, including but not limited to, 18 *Del. C.* § 2712, Filing, approval of forms. No exceptions were noted.

## **B. Individual Variable Annuity Contracts Issued as New**

The Company provided a list of 305 individual variable annuity contracts issued as new during the examination period. A random sample of 79 annuity contracts was requested, received and reviewed. The contract files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exceptions were noted:

### **1 Exception - 18 Del. Admin. C. § 1204-6.1.2 Duties of all insurers**

The Company failed to provide proof that the applicant signed a statement as to whether the proposed annuity would replace an existing annuity.

*Recommendation:* It is recommended that the Company review its procedures to ensure all applicants sign a statement as to whether the proposed annuity will replace an existing annuity as required by 18 Del. Admin. C. § 1204-6.1.2.

### **15 Exceptions - 18 Del. Admin. C. § 1204-7.1.1 Duties of Insurers That Use Agents or Brokers**

The Company failed to provide proof that the agent signed a statement as to whether the agent knew that a replacement was or would be involved in the transaction.

*Recommendation:* It is recommended that the Company review its procedures to ensure the agent signs a statement as to whether he or she knows a replacement is or may be involved in the transaction as required by 18 Del. Admin. C. § 1204-7.1.1.

## **C. Individual Variable Annuity Contracts Issued as Replacements**

The Company provided a list of 210 individual variable annuity contracts issued as replacements during the examination period. A random sample of 79 annuity contracts was requested, received and reviewed. The contract files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exceptions were noted:

### **17 Exceptions - 18 Del. Admin. C. § 1204-5.2.1 Duties of Agents and Brokers**

The notice regarding replacement was dated after the application date.

*Recommendation:* It is recommended that the Company review its procedures to ensure the agent presents to the applicant a notice regarding replacement not later than at the time of taking the application as required by 18 Del. Admin. C. § 1204-5.2.1.

**17 Exceptions - 18 *Del. Admin. C. § 1204-7.1.1* Duties of Insurers That Use Agents or Brokers**

The Company failed to provide proof of a signed statement as to whether the agent knew that a replacement was or would be involved in the transaction.

*Recommendation:* It is recommended that the Company review its procedures to ensure an agent signs a statement as to whether he or she knows a replacement is or may be involved in the transaction as required by 18 *Del. Admin. C. § 1204-7.1.1*.

**CLAIMS**

**A. Annuity Claims Paid**

The Company provided a list of 216 claims received during the examination period and paid. A random sample of 80 paid claims was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exception was noted:

**1 Exception - 18 *Del. Admin. C. § 902-1.2.1.2***

The Company failed to acknowledge a claim within working fifteen days.

*Recommendation:* It is recommended that the Company review its procedures to ensure all claims are acknowledged within fifteen working days as required by 18 *Del. Admin. C. § 902-1.2.1.2*.

**B. Annuity Claims Denied**

The Company was requested to provide a list of all annuity contract claims received during the examination period and denied. The Company indicated that there were no annuity contract claims received and denied during the examination period. No exceptions were noted.

## **CONCLUSION**

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company review its procedures to ensure all applicants sign a statement as to whether the proposed annuity will replace an existing annuity as required by 18 *Del. Admin. C.* § 1204-6.1.2. (B. Individual Variable Annuity Contracts Issued as New)
2. It is recommended that the Company review its procedures to ensure the agent signs a statement as to whether he or she knows a replacement is or may be involved in the transaction as required by 18 *Del. Admin. C.* § 1204-7.1.1. (B. Individual Variable Annuity Contracts Issued as New and C. Individual Variable Annuity Contracts Issued as Replacements)
3. It is recommended that the Company review its procedures to ensure the agent presents to the applicant a notice regarding replacement not later than at the time of taking the application as required by 18 *Del. Admin. C.* § 1204-5.2.1. (C. Individual Variable Annuity Contracts Issued as Replacements)
4. It is recommended that the Company review its procedures to ensure all claims are acknowledged within fifteen working days as required by 18 *Del. Admin. C.* § 902-1.2.1.2. (Claims)

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Pruco Life Insurance Company

The examination conducted by Joseph Krug, Christina Hughart, James Hartsfield and Frank Kyazze is respectfully submitted.



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Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance

I, Frank W.K. Kyazze, hereby verify and attest, under oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority #79227-20-597.



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Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC

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